Annual Report 2005

AG GROWTH
INCOME FUND

Ag Growth Income Fund

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Transfer Agent: Computershare Investor Services Inc.

Shares Listed: Toronto Stock Exchange
Stock Symbol: AFN.UN

To Our Unitholders:

On behalf of the Board of Trustees, Management and Employees of Ag Growth Income Fund, welcome to our 2005 Annual Report, representing our first full year as an Income Trust. It has been a year of great success and progress. We have achieved robust growth in sales, EBITDA and most importantly sustainable growth in monthly cash distributions.

In April 2005 Ag Growth completed the acquisition of the Edwards Group, of Lethbridge, Alberta. The acquisition provides a strong strategic fit with our other product lines and our distribution network. The acquisition was immediately accretive and offers potential for further growth in the future.

In 2005 we took several steps to round out Ag Growth's senior management team, adding a new Corporate Controller position, a Director of Corporate Development and a Manufacturing Engineering Manager. These talented individuals will strengthen our ability to sustain recent growth and create additional opportunities for improvement and growth in the future. Internally, we will be leaning up manufacturing operations to become even more competitive and market responsive. Externally, we will continue to explore acquisitions selectively to ensure favourable, accretive results.

As we enter 2006, we remain cognizant of the Fund's need to continue its evolutionary process. Ag Growth has built its success on its ability as an organization to embrace change. It has demonstrated time and again its willingness to adapt as needed in order to realize new opportunities. Going forward we will draw on these experiences to further our pursuit of sustainable bottom line growth. We will also call upon our collective wisdom to ensure that our development is positive for all of our stakeholders.

In closing, we would like to congratulate everyone involved with making 2005 such a successful year. We would also like to thank all of our unitholders for their participation and for their belief in our potential.

Sincerely,

Rod Senft

Rod Senft

Chairman of the Board
Ag Growth Income Fund

President's Message

On behalf of management, our employees and the Board of Trustees of Ag Growth Income Fund, we welcome current and prospective unitholders to read the annual report for our first full year as a publicly traded trust. We are very pleased with our results in 2005.

2005 revenue grew to $84 million from full year revenue of $63 million in 2004. We have experienced impressive growth despite a smaller crop in 2005 compared to the record breaking crop of 2004. We were able to capitalize on momentum from the 2004 crop in the first six months of the year and reap market share gains particularly in our core US market. Growth has also resulted from the successful integration of the Edwards Group of Companies acquisition, which was acquired in April 2005.

To begin, we would like to provide a macroeconomic overview of our market place as it specifically relates to Ag Growth. Industry sentiment remains strong even though many analysts are pointing to a flat to slightly declining environment for farm equipment sales in 2006 across North America. There are a number of positive factors as well as negative influences that will impact us as we enter 2006.

We expect the decline in the US corn and soybean crop to provide less momentum for grain handling equipment than we experienced entering 2005. We must remember that 2004 was a massive crop and the 2005 crop, which is 8% and 5% smaller for corn and soybeans respectively, is still the second largest on record. We are pleased that the trend toward greater productivity, as a result of better farming practices and better seed technologies, remains intact.

As a result of these successive large crops in the US market, agriculture commodity prices are at very low levels, which does have a dampening effect on the net farm income. This is partly mitigated by direct government payments which are forecast to be $21.4 billion in 2005, 61% above 2004 levels of $13.3 billion and 52% above the average from 1995-2004. This again reinforces the strength of the US farm bill to encourage "fence-to-fence" plantings of crops even in times of low prices. The bill encourages high volume production which is the strongest driver of our revenues.

The USDA estimates that the cost of energy in a normal year is roughly 10% of a farmer's direct cost of corn production before including the indirect impact on fertilizer prices. Given the continuation of very high energy prices we expect some decline in capital spending in 2006.

Western Canada has had another bad year, due to the excess moisture levels that have existed in the last two years. These conditions, coupled with the multi-year drought prior to this time, have had a dampening effect on the psychology of the Western Canadian farmer. It may take some time to repair the tentative spending patterns currently being experienced.

Over the past couple of years we have also been challenged by volatile steel prices and the appreciation of the Canadian dollar. Pressures resulting from the spike in steel prices have subsided and, for the time being, we are quite comfortable that relative stability has returned to the steel markets. The continued appreciation of the dollar has put further pressure on our margins but at current levels we are confident of our ability to remain highly competitive in our markets. The price increases, which we implemented in response to steel price escalations and to the strengthening Canadian dollar, have proven adequate to cushion us.

On a more positive note, the USDA forecasts 2005 net farm income of $71.8 billion, down 13% from 2004 net income of $82.5 billion. This still greatly exceeds the 1995-2004 average of $52.4 billion by 37%. The late 1990's and early 2000 period was particularly depressed for agriculture, so the last couple of years represent a rebound to more normal conditions.

Due to the strong net incomes of farmers over the last couple of years, the 2005 debt to asset ratio sits at 13.4%, the lowest level since the early 1990's. This should provide continued support for farm equipment spending.

President's Message

The opening of the US border to Canadian cattle following the BSE Crisis should help to positively impact producers in Alberta and Saskatchewan. This should provide some momentum for our cattle related products but more importantly, given the level of mixed farming in these provinces, provide a return to profitability for these producers.

From a more micro view, Hurricane Katrina has caused the US rail and barge system to be stretched to the limit as a result of the reduction in capacity at the major terminals in New Orleans. Storage facilities are overflowing which is pushing storage back to the farm gate in the US Midwest, a core market for Ag Growth. Currently, huge stockpiles are being stored on the ground which has been accelerating on-farm handling, storage and drying as farmers scramble to preserve the quality of their inventories. This situation should correct itself by mid-year, but for the time being, is having a stimulative effect on the sales of grain-handling equipment.

Longer term, we are cautiously optimistic of the fundamentals for our business. The same supply-demand fundamentals that have impacted other commodities, as a result of growth in China, are impacting agricultural commodities but have not yet had a similar impact on prices in our sector.

Soybeans are maintaining an annual demand growth rate of 6% driven by a shift to vegetable protein in livestock rations. Increasing consumption of meat in Chinese diets, as the standard of living improves, is driving demand for corn and soybeans. China has not been self-sufficient in grain and soybeans since 1999.

Despite large North American stockpiles of corn, as a result of successive large crops, world end stocks are forecast at 350 million tons. This represents an end-stocks-to-use ratio of 17%, the lowest level since 1975. World wheat inventories are at a 33 year low. The stocks-as days-use are estimated at 80 days. This compares to approximately 130 days in the 1998 to 2001

period. Despite these fundamentals, the spot prices for wheat and corn remain depressed. Should the trend toward depletion of stockpiles continues, we could experience significant strengthening in agricultural commodity prices over the next few years.

With consideration for the above factors, we remain quite positive about the prospects for the Fund. We are confident that we have entrenched market share gains from 2004 and 2005. We continue with the roll out of our research and development programs and are meeting with on-going success. We have recently launched a lean manufacturing initiative at our largest division, Westfield, which we are confident will increase productivity in the short to medium turn and, if we achieve the anticipated results, will be expanded to our other divisions.

Increased focus on developing markets in Europe over the last few years is beginning to gain traction and should result in a strong market position as these markets accelerate the adoption of North American farming and grain handling practices.

We are very pleased with the positive momentum as we complete our first quarter. This momentum should provide a solid base for the year as we wait for the 2006 crop.
Again, we would like to thank our unitholders for their support. We are committed to working hard to create long term value for our customers, our community and our unitholders.

Sincerely,

Rob Stenson
President and CEO
Ag Growth Income Fund

Operational Highlights

DISTRIBUTABLE CASH

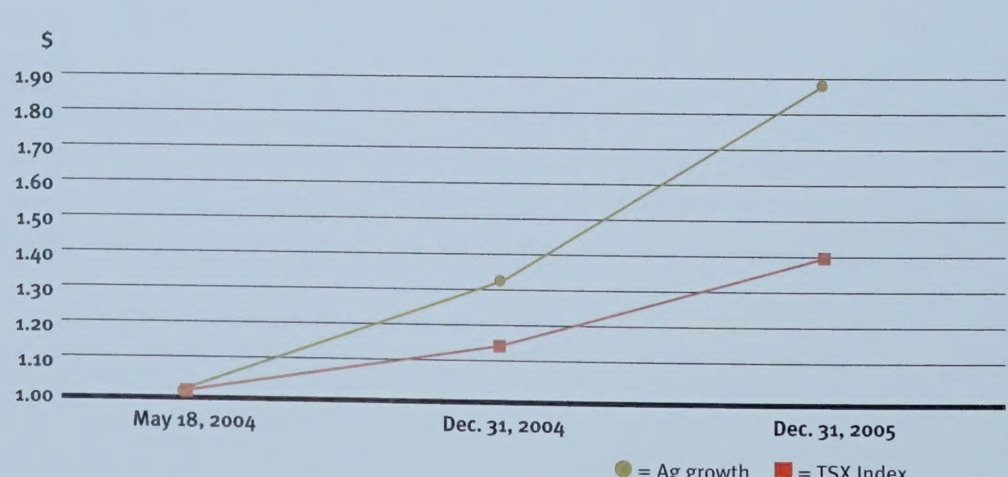
Distribution Highlights:

- Total distributable cash generated in 2005 was $2.10/unit
- Cash distributions declared of $1.73/unit
- Payout ratio of 69.3% before specials and 83.6% including specials

REGULAR CASH DISTRIBUTION (2005) (per unit/per month)

Note: In January 2006 regular distribution increased to $0.14/unit/month

PERFORMANCE AS COMPARED TO TSX INDEX (since inception)



EDWARDS ACQUISITION

About the Acquisition:

- Acquired April 8, 2005
- Purchase price of $21.7 million
- Funds raised via private placement
- Strong strategic fit with existing product lines and distribution network
- Immediately accretive

About the Company:

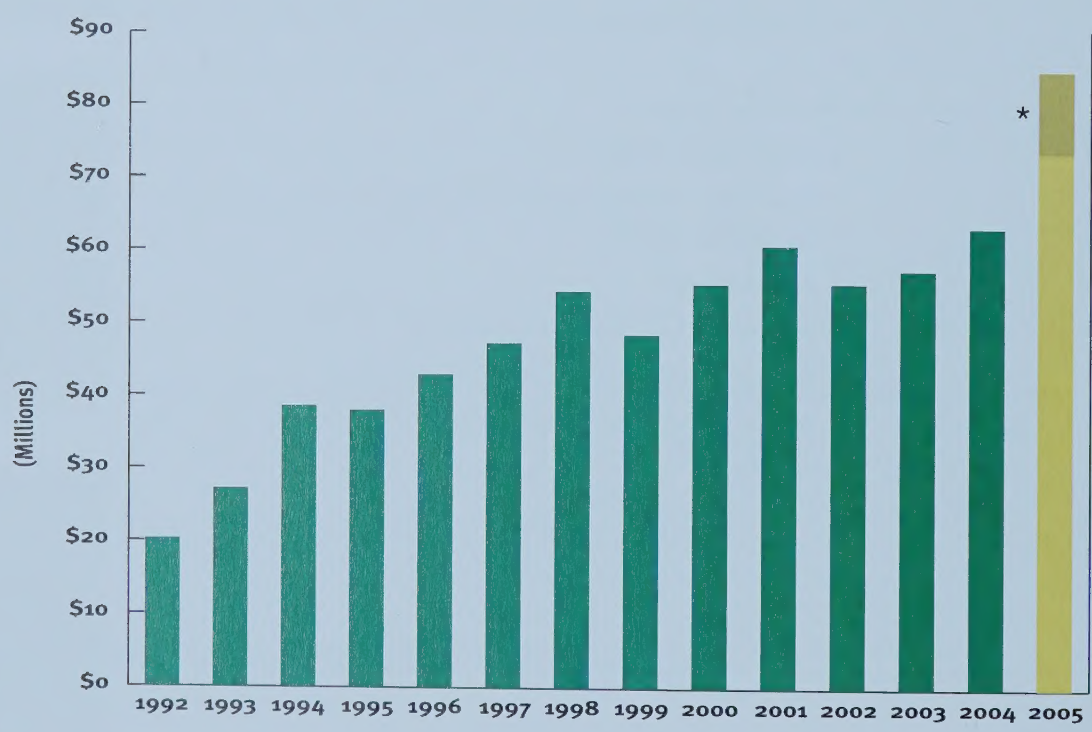
- Established in 1991
- Production facilities located in Lethbridge and Nobleford, Alberta
- 70 Employees
- Primary focus is aeration equipment
- Dominant market share in Western Canada
- Strong potential for further export development

Operational Highlights

SALES HIGHLIGHTS

- Overall sales growth of 33% over 2004
- Excluding Edwards acquisition sales growth of 14% over 2004
- In US dollars, US sales growth of 31% over 2004 (excluding Edwards)

PRO FORMA HISTORICAL SALES 1992 – 2005

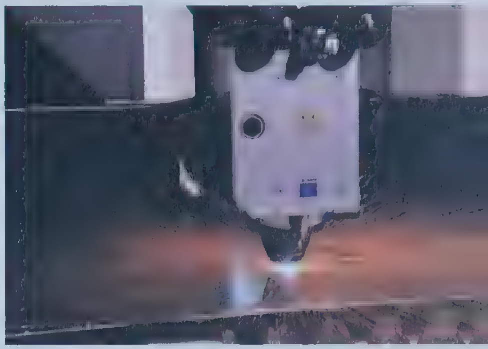


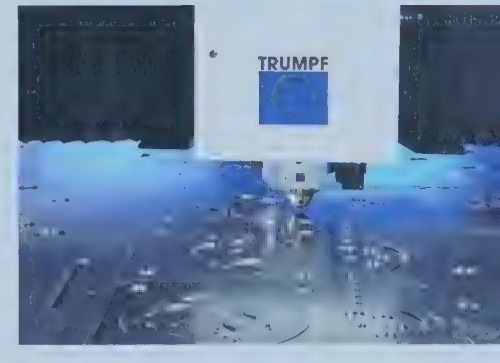
Note: Pro Forma Historical Sales are presented as a compilation of Batco, Wheatheart and Westfield sales since 1992 regardless of actual acquisition dates.

* Edwards Group sales are included from date of acquisition April 8, 2005.

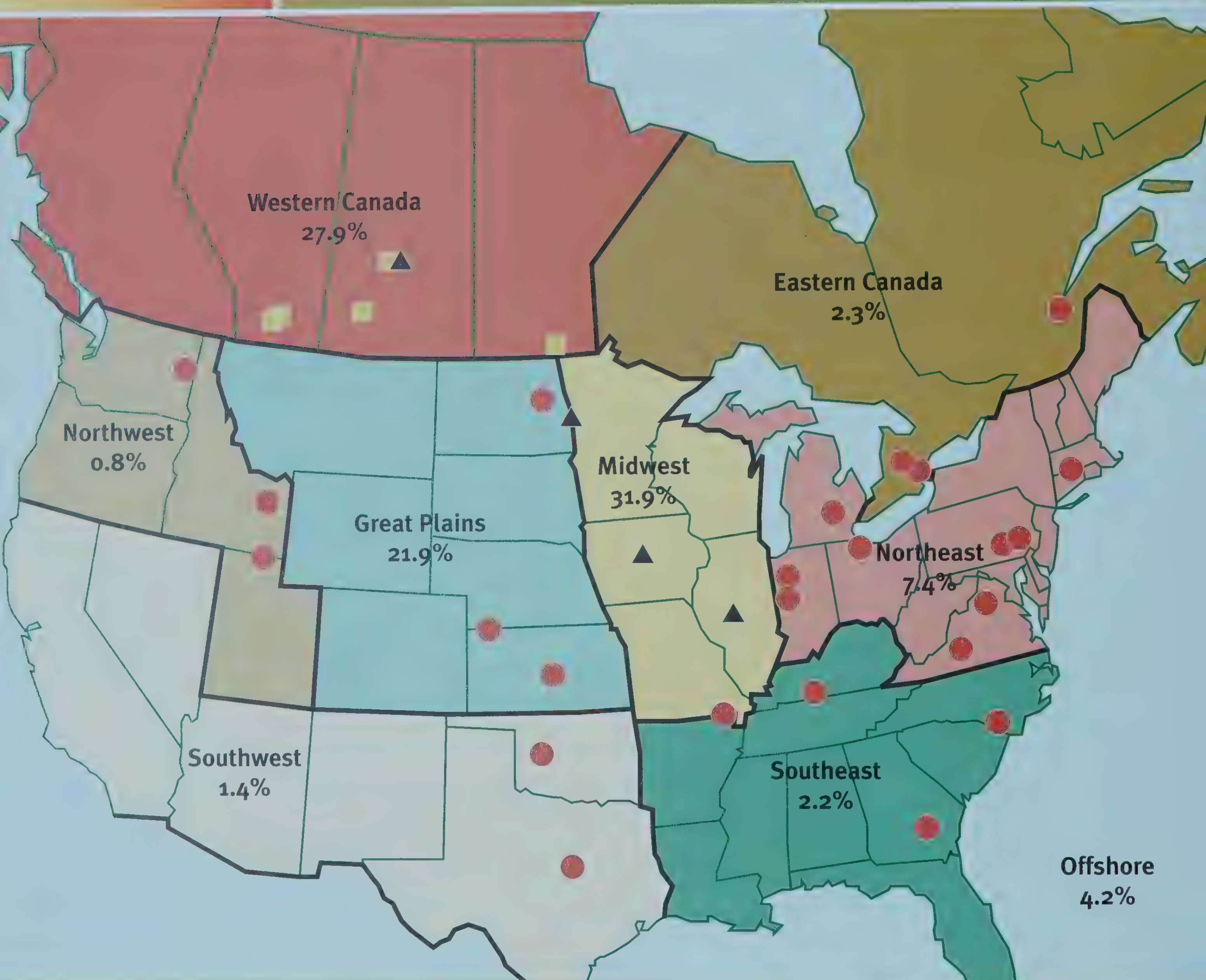
MANUFACTURING HIGHLIGHTS

- Ag Growth operations include five production facilities totaling 320,000 square feet
- Westfield Division is a high volume, low cost producer
- Wheatheart, Batco and Edwards Divisions utilize job shop style manufacturing
- In 2005 Westfield Division integrated laser cutting capabilities into its operations to accommodate greater design and production flexibility while enhancing market responsiveness
- In 2006 Westfield Division is embarking on a major lean manufacturing initiative to improve throughput, space utilization and inventory turns





Geographic Diversification



DISTRIBUTION HIGHLIGHTS

- Channel reform continued in 2005 improving marketing effectiveness and reducing distribution cost in US
- With the acquisition of Edwards, Canadian dollar sales increased from 25% in 2004 to 30% in 2005
- Only seven states or provinces account for more than 5% of sales
- No one state or province accounts for more than 15% of total sales

Manufacturing Plants

Factory Warehouse Locations

Distribution Warehouses

Management's Discussion and Analysis

March 16, 2006

This Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth Income Fund for the year ended December 31, 2005. Results are reported in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian generally accepted accounting principles.

OVERVIEW OF THE FUND

Ag Growth Income Fund [the "Fund"] is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust made as at March 24, 2004. On May 5, 2004, the Fund filed a final prospectus for the sale of 6,904,000 units at $10 per unit. In conjunction with the IPO, the Fund acquired indirectly all of the securities and assets of Ag Growth Industries Inc. ["Ag Growth"], which conducts business in the grain handling, storage, and conditioning market. As consideration for the acquisition, the owners of Ag Growth received, in addition to cash, 800,000 Class B Exchangeable units and 1,926,000 Class C Exchangeable Subordinated units of AGX Holdings Limited Partnership ["AGHLP"], a wholly owned subsidiary of the Fund. The units of the Fund and the Class B and Class C units of AGHLP participate pro rata in the distributions of net earnings. Subsequent to the date of the offering, a total of 630,022 Class B units of AGHLP have been exchanged for 630,022 units of the Fund. Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies, a leading manufacturer of agricultural aeration equipment. In conjunction with the acquisition of the Edwards Group, the Fund issued an additional 1,595,000 units via a private placement. Subsequent to this unit issuance, the prior owners of Ag Growth hold a 19% interest in the Fund and hold 2,095,978 Special Voting Units.

As at March 16, 2006, the following units were issued and outstanding:

Trust units	9,129,022
Class B Exchangeable units	169,978
Class C Exchangeable Subordinated units	1,926,000
Total units that participate pro rata in distributions	**11,225,000**
Special Voting Units*	2,095,978

* The Fund has issued a Special Voting Unit for each Class B and Class C unit outstanding. The Special Voting Units are not entitled to any interest or share in the Fund, or in any distribution from the Fund, but are entitled to vote on matters related to the Fund.

Ag Growth Income Fund units trade on the Toronto Stock Exchange under the symbol AFN.UN.

BASIS OF MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fund was inactive until its acquisition of Ag Growth on May 18, 2004. To provide meaningful information to the reader, comparative results for the year ended December 31, 2004 include Ag Growth's results of operations for the 137-day period ended May 17, 2004. Management's Discussion and Analysis will refer to the Combined Operating Results of the Fund for the year ended December 31, 2004, which is comprised of the operations of the Fund for the 228-day period ended December 31, 2004, and Ag Growth's results of operations for the 137-day period ended May 17, 2004 (the "combined operating results"). Readers are cautioned that the combined operating results presented are not the results of the Fund for the year ended December 31, 2004 and have been presented only to provide the reader with additional information to enhance comparability to operating results of the Fund for the year ended December 31, 2005.

COMPARATIVE RESULTS – YEAR-ENDED DECEMBER 31, 2004

The table on page 13 reconciles the operating results reported by the Fund to the combined operating results for the year ended December 31, 2004. Other than transactions related to the initial public offering on May 18, 2004, and the gain on sale of Ag Growth's outstanding foreign exchange contracts in January 2004, there are no unusual items in either Ag Growth's or the Fund's results for the year ended December 31, 2004. Certain comparative figures have been reclassified to conform with the current period's presentation.

	Ag Growth (Pre Fund) January 1 – May 17, 2004 $	The Fund * Inception – Dec 31, 2004 $	Combined Operating Results Year Ended Dec 31, 2004 $
Sales	19,746,893	43,547,884	63,294,777
Cost of sales	11,017,758	22,683,058	33,700,816
Gross margin	8,729,135	20,864,826	29,593,961
General and administration	4,359,563	7,246,922	11,606,485
Professional fees	249,271	678,554	927,825
Long term incentive plan	0	265,788	265,788
Research and development	205,138	290,502	495,640
Capital taxes	203,605	236,321	439,926
Loss (gain) on foreign exchange	(587,173)	1,143,298	556,125
Other income	(28,352)	(138,963)	(167,315)
Total operating expenses	4,402,052	9,722,422	14,124,474
EBITDA before gain on sale and IPO expenses	4,327,083	11,142,404	15,469,487
Gain on sale **	(4,553,611)	0	(4,553,611)
IPO expenses	1,401,750	0	1,401,750
EBITDA ***	7,478,944	11,142,404	18,621,348
Amortization ***	287,486	1,566,528	1,854,014
Interest expense	1,082,401	688,467	1,770,868
Earnings before tax	6,109,057	8,887,409	14,996,466
Tax expense	2,562,000	164,000	2,726,000
Net earnings	**3,547,057**	**8,723,409**	**12,270,466**

* The Fund was inactive until its acquisition of Ag Growth on May 18, 2004. Included in the Fund's results of operations are the results of Ag Growth's operations for only the 228-day period from the date of acquisition, May 18, 2004, to December 31, 2004. Also, certain figures have been reclassified to conform with the current period's presentation.

** In January 2004 Ag Growth realized a gain on the sale of its outstanding forward foreign exchange contracts. Due to the significance of the gain it has been segregated from operating expenses.

*** See discussion of non-GAAP measures.

The Edwards Group Acquisition

Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies. Results of operations of the Edwards Group are included in the results of the Fund for the period subsequent to the acquisition. Furthermore, Edwards' assets and liabilities have been consolidated with those of the Fund. In conjunction with the acquisition, the Fund completed a private placement of 1,595,000 Trust Units priced at $13.50 per unit for gross proceeds of approximately $21.5 million. The Fund's expenses in connection with the offering were approximately $1.1 million. Net assets acquired were as follows:

	$
Accounts receivable	1,348,830
Inventory	3,672,603
Prepaid expenses and other assets	174,246
Property, plant and equipment	6,992,000
Intangible assets	
Brand name	4,363,000
Distribution network	2,839,000
Patent	250,000
Goodwill	3,406,168
Accounts payable and accrued liabilities	(1,360,104)
	21,685,743

OPERATING RESULTS

	Year Ended December 31 2005 $	2004 * $
Sales	84,033,945	63,294,777
Cost of sales	45,132,586	33,700,816
Gross margin	38,901,359	29,593,961
General and administration	13,235,750	11,606,485
Professional fees	530,532	927,825
Long term incentive plan	933,001	265,788
Research and development	622,695	495,640
Capital taxes	328,716	439,926
Loss (gain) on foreign exchange	(1,355,991)	556,125
Other income	(436,638)	(167,315)
Total operating expenses	13,858,065	14,124,474
EBITDA before gain on sale and IPO expenses	25,043,294	15,469,487
Gain on sale (1)	0	(4,553,611)
IPO expenses	0	1,401,750
EBITDA **	25,043,294	18,621,348
Amortization ***	4,040,948	1,854,014
Interest expense	1,035,153	1,770,868
Earnings before tax	19,967,193	14,996,466
Tax expense	315,123	2,726,000
Net earnings	**19,652,070**	**12,270,466**
Net earnings per unit	**1.82**	**0.91***

* Results for the year ended December 31, 2004 include the results of Ag Growth for the period January 1 to May 17, 2004. See "Basis of Management's Discussion and Analysis". Also, certain figures have been reclassified to conform with the current period's presentation.
** In January 2004 Ag Growth realized a gain on the sale of its outstanding forward foreign exchange contracts. Due to the significance of the gain it has been segregated from operating expenses.
*** See discussion of non-GAAP measures.

	December 31, 2005 $	December 31, 2004 $
Total assets	144,352,812	120,671,166
Total liabilities	33,574,028	31,102,526

For the year ended December 31, 2005, the Fund generated distributable cash of $2.10 per weighted average unit and declared cash distributions of $1.73 per unit. The table on page 16 summarizes the distributions declared for trust units of the Fund and for Class B Exchangeable limited partnership units and Class C Subordinated limited partnership units of AGX Holdings Limited Partnership. The Fund's distribution policy is described in the "Distributions" section of this document.

	$
Trust units	15,288,686
Class B Exchangeable units	294,317
Class C Exchangeable Subordinated units	3,334,869
	18,917,872

Overall Performance

Operating results for the year-ended December 31, 2005 were positively impacted by the acquisition of the Edwards Group on April 8, 2005. Sales, EBITDA, and net earnings increased significantly over the prior year in part due to the inclusion of the Edwards results, which were consistent with management expectations. Also, as described under "The Edwards Group Acquisition" above, several balance sheet items were affected by the acquisition.

The Fund reported a substantial increase in sales, EBITDA, and net earnings for the year ended December 31, 2005 even after allowing for the inclusion of Edwards. Sales in 2005 were positively influenced by favourable crop conditions in many key US markets, an increase in the number of auger units sold, higher per unit revenue on most products, and new product development. Gross margins remained relatively stable while total operating expenses decreased. The strong financial performance in 2005 was achieved despite the continued strengthening of the Canadian dollar.

Foreign Exchange

Sales and expenses are recorded at the monthly rate of exchange. In 2005, Ag Growth generated 65% of its sales in US dollars (2004 - 67%), with a much lower proportion of its expenses being US dollar denominated. As a result, only a portion of the negative impact on sales that results from a strengthening of the Canadian dollar is offset by the benefit related to US dollar purchases. Sales and expenses are recorded at the actual monthly rate of exchange and, accordingly, gains or losses on the Fund's foreign currency hedging instruments are included in operating expenses.

The impact of foreign currency hedges has been included, along with the gain or loss on the translation of US dollar working capital, in operating expenses as a gain or loss on foreign exchange. Ag Growth's foreign currency hedging instruments impact the sales line on the income statement only to the extent that the contract premium is amortized to sales. This amortization to sales amounted to $220,826 for the year-ended December 31, 2005.

The Canadian dollar strengthened further in 2005 and as a result sales denominated in US dollars were translated to Canadian dollars at a lower rate. For the year-ended December 31, 2005, US dollar sales were translated to Canadian dollars at an average rate of $1.21 ($0.83) compared to $1.31 ($0.76) in 2004, a decrease of 8%. As the Fund generated approximately 65% of its 2005 sales in US dollars, the stronger Canadian dollar had a significant negative effect on sales.

Sales

For the year ended December 31, 2005, sales increased $20.7 million or 32.8% over 2004. Excluding Edwards, sales for the year increased $9.1 million or 14.4% over 2004. The significant increase in sales is largely the result of an increase in auger sales that resulted from the Fund's ability to use its strong market share and geographic diversification to capitalize on favourable conditions in several key US markets. The strength of the Fund's distribution network also contributed to strong sales in certain drought-impacted areas of the US corn belt. Sales benefited from the large price increases on most products implemented throughout 2004 in response to rising input costs, and a trend towards larger, more expensive auger units, which resulted in higher per unit revenue in 2005. Sales from recently developed products, including a heavier line of augers and a new line of post pounders, also contributed to the increase in sales compared to 2004. These factors more than offset the negative impact of a stronger Canadian dollar, which resulted in US dollar denominated sales being recorded at exchange rates approximately 8% lower than in the same period in 2004.

Expenses

Gross margin as a percentage of sales for year ended December 31, 2005 was 46.3%, compared to 46.8% in 2004. The inclusion of results for the Edwards Group in 2005 did not significantly impact gross margin percentages compared to the prior year. The Fund was able to maintain a strong gross margin percentage despite the significant strengthening of the Canadian dollar, as gross margins benefited from production efficiencies, high sales volumes, price increases implemented in 2004 to offset rising input costs, and a decline in certain input costs compared to the prior year.

For the year ended December 31, 2005, total operating expenses were $13.9 million, including $1.4 million recorded by the Edwards Group, compared to $14.1 million in 2004, prior to the gain Ag Growth realized on the sale of its outstanding forward foreign exchange contracts and the accrual of IPO expenses. Excluding Edwards, the $1.6 million decrease from 2004 is primarily due to the following:

- General and administrative expenses increased $0.3 million or 2.3%, as savings related to the rationalization of the Fund's distribution network and the elimination of management fees payable to the owners of Ag Growth prior to the IPO were offset by higher sales and marketing costs and an increase in earnings based compensation bonuses.
- Professional fees decreased $0.4 million as the majority of the costs related to a successful patent defence were incurred in the prior year.
- Long-term incentive plan expense increased $0.7 million due to a 20% rise in the Fund's distribution rate and a 217% increase in per unit special distributions.
- In 2005, largely due to gains on foreign exchange contracts, the Fund recorded a gain on foreign exchange of $1.4 million. In 2004 the Fund recorded a loss on foreign exchange of $0.6 million, as the gain on foreign exchange contracts was much smaller and it was more than offset by the downward revaluation of US dollar working capital that resulted from the significant strengthening of the Canadian dollar in that year.

- Other income increased $0.3 million, primarily due to the inclusion in 2005 of $0.2 million related to the fair value of the Fund's interest rate swap.
- A number of smaller miscellaneous items accounted for the remaining change.

Prior to the initial public offering on May 18, 2004, Ag Growth realized a net gain of $4.6 million on the sale of its forward foreign exchange contracts. Ag Growth subsequently entered into a number of new forward foreign exchange contracts that continue to form part of the Fund's hedging strategy. The $4.6 million gain on sale significantly affected Ag Growth's financial results for the year ended December 31, 2004.

Net Earnings and EBITDA (see discussion of non-GAAP measures)

EBITDA for the year ended December 31, 2005 was $25.0 million, compared to $15.5 million in 2004 prior to the gain Ag Growth realized on the sale of its outstanding foreign exchange contracts and the accrual of IPO expenses in that year. The significant increase in EBITDA is the result of the acquisition of the Edwards Group, strong sales, stable gross margins, and a decrease in total operating expenses. After recognition of the gain on the sale of foreign exchange contracts and the accrual of IPO expenses, EBITDA for the year ended December 31, 2004 was $18.6 million.

Upon completion of the IPO on May 18, 2004, the Fund retired the existing debt obligations of Ag Growth and entered into a new credit facility with a single lender. The credit facility includes term debt of $20 million and an operating facility of $15 million, increasing to $18 million for the period May 31 to September 30 each year. Both facilities bear interest at rates based on performance calculations. For the year ended December 31, 2005, the Fund's effective interest rate on its term debt was 4.8%, and after consideration of the effect of the Fund's interest rate swap (see "Financial Instruments") was 4.5%.

Amortization for the year ended December 31, 2005 was $4.0 million and includes the amortization of intangible assets of $1.7 million, the amortization of deferred financing costs of $0.4 million, and the amortization of property, plant and equipment of $1.9 million. Compared to 2004, the increase in amortization of property, plant and equipment and intangibles is largely the result of the acquisition of the Edwards Group.

The Fund is a mutual fund trust for income tax purposes and therefore is not subject to tax on income distributed to unitholders. The manufacturing business operations of the Fund are carried out within a limited partnership. Income from the limited partnership is not subject to tax but flows through to the holders of the partnership units, which include the Fund. The Fund's distributions are taxable in the hands of the unitholders. As a result of the Fund's structure, tax expense is recorded only for the Fund's subsidiary corporations. The recorded tax expense of $315,123 for the year ended December 31, 2005 represents primarily income taxes and large corporation tax payable on the net income and taxable capital primarily allocated to Ag Growth through its ownership in AGLP after deductions for interest expense, financing fees and capital taxes.

Net earnings for the year ended December 31, 2005 was $19.7 million and earnings per basic and diluted unit for the year was $1.82.

Quarterly Financial Information

	2005 Q4 $	2005 Q3 $	2005 Q2 $	2005 Q1 $
Total sales	16,900,725	26,755,797	24,363,985	16,013,438
Gain (loss) on foreign exchange	1,294,912	(274,763)	115,822	220,020
Net earnings	3,380,300	6,567,557	6,255,028	3,449,185
Basic and diluted net earnings per unit	0.31	0.59	0.56	0.36

	2004 Q4 $	2004 Q3 $	2004 Q2* $	2004 Q1** $
Total sales	13,911,771	21,780,593	7,855,520	N/A
Gain (loss) on foreign exchange	3,552	(626,254)	(520,596)	N/A
Net earnings	1,798,911	5,483,492	1,441,006	N/A
Basic and diluted net earnings per unit	0.19	0.57	0.15	N/A

* Includes results of operations only for the 44-day period May 18 to June 30, 2004.
** Prior to IPO date of May 18, 2004.
*** Certain comparative figures have been reclassified to conform to the current period's presentation.

Interim period revenues and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. Distributable cash generated per unit will also typically be highest in the third quarter. The second, third, and fourth quarters of 2005, compared to the same periods in 2004, were significantly impacted by the April 8, 2005 acquisition of the Edwards Group. The gain on foreign exchange in the fourth quarter of 2005 was largely the result of gains on the Fund's foreign exchange contracts. A similar gain was not recorded in the fourth quarter of 2004, as the Fund's contract rates were more similar to prevailing market rates. The first and second quarters of 2005 were stronger than 2004 largely due to demand that resulted from the record 2004 US harvest. The second quarter of 2004 reflects the operations of Ag Growth for only the 44-day period from the date of the Fund's May 18, 2004 IPO to the quarter-end date.

FOURTH QUARTER

Operating results for the three months ended December 31, 2005 were positively impacted by the acquisition of the Edwards Group. Sales, EBITDA, and net earnings increased significantly over the same period in 2004 in part due to the inclusion of Edwards. However, even after excluding the effect of Edwards, the Fund reported a substantial increase in sales, EBITDA, and net earnings. The positive results recorded the fourth quarter of 2005 were the result of the following factors.

Sales for the three-months ended December 31, 2005 were $16.9 million, an increase of 21.5% over the $13.9 million recorded in the same period in 2004. Excluding Edwards, sales increased $1.1 million or 8.3% over 2004. Fourth quarter demand was high in both 2005 and 2004. The increase in 2005 was primarily the result of increased overseas sales, as the Fund continues to expand markets in Australia and Europe, higher auger sales at the Wheatheart division, and new product revenue, offset by a strengthening Canadian dollar.

Gross margin as a percentage of sales was 42.1% in the fourth quarter of 2005, compared with 45.2% for the three months ended December 31, 2004. The decrease in gross margin percentage is primarily the result of a lower US exchange rate, as the effective rate of exchange decreased from $1.26 in the fourth quarter of 2004 to $1.17 in the fourth quarter of 2005, partially offset by the benefit of lower input costs compared to the prior year.

Total operating expenses for the three-month period ended December 31, 2005 were $2.2 million, including Edwards' costs of $0.5 million. This compares to total operating expenses of $3.8 million for the same period in 2004. Excluding Edwards, the decrease of $2.1 million from 2004 is largely the result of a $1.3 million increase in the gain on foreign exchange. Operating expenses compared to the fourth quarter of 2004 also decreased due to a $0.3 million decline in legal fees, an insurance recovery that led to a $0.2 million decrease in repairs and maintenance expense, and an increase in other income of $0.2 million that related to the Fund's interest rate swap. A number of smaller miscellaneous items accounted for the remaining change.

EBITDA for the three-month period ended December 31, 2005 was $4.9 million, compared to $2.5 million for the same period in 2004. The increase in EBITDA compared to 2004 is primarily the result of the acquisition of the Edwards Group and lower total operating expenses, offset by a lower gross margin. Net earnings for the three months ended December 31 increased from $1.8 million in 2004 to $3.4 million in 2005 due to the factors discussed above.

In the three months ended December 31, 2005, the Fund generated $15.3 million from operating activities, including $0.5 million generated by Edwards, compared to $14.4 million in the same period in 2004. Excluding Edwards, the $0.4 million increase was due to a $2.0 million increase in earnings before non-cash charges, offset by a decrease in the cash generated through movement in non-cash working capital. During the three months ended December 31, 2005, the Fund had capital expenditures of $0.4 million (2004 - $0.3 million) that related primarily to purchases of manufacturing equipment, computer hardware and software, and building improvements. During the three months ended December 31, 2005 the Fund paid off its bank revolver of $1.0 million (2004 - $4.2 million) and ended the period with a cash balance of $8.1 million (2004 - $7.0 million).

CASHFLOW AND LIQUIDITY

The table below reconciles net income to cash flow from operations for the years ended December 31, 2005 and 2004.

	December 31	
	2005	2004*
	$	$
Net income	19,652,070	12,270,466
Add charges (deduct credits) to operations not requiring a current cash payment:		
Amortization	4,040,948	1,854,014
Future income taxes	236,000	317,000
Deferred foreign exchange loss	34,540	(47,900)
Loss (gain) on sale of assets	12,120	(16,419)
	23,975,678	**14,377,161**
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(1,441,926)	1,404,431
Inventory	(967,153)	(2,949,234)
Prepaid expenses and other	(270,328)	(703,721)
Accounts payable	(442,001)	655,729
Long term incentive plan	667,213	265,788
Customer deposits	(721,769)	3,240,883
Income tax payable	477,481	(864,900)
	(2,698,483)	**1,048,976**
Cash flow from operations	21,277,195	15,426,137
Add (deduct) unusual items: **		
IPO expenses	0	1,401,750
Gain on sale ***	0	(4,553,611)
Cash flow from operations excluding unusual items	**21,277,195**	**12,274,276**

* Results for the period ended December 31, 2004 include the results of Ag Growth for the period January 1 to May 17, 2004. See "Basis of Management's Discussion and Analysis".
** Due to the significance of the IPO expenses and the gain on sale of foreign exchange contracts, and their impact on the comparability of results, cash flow used in operations has also been presented net of these items.
*** In January 2004 Ag Growth realized a gain on the sale of its outstanding forward foreign exchange contracts. Due to the significance of the gain it has been presented separately.

Cash flow from operations for the year ended December 31, 2005 was $21.3 million, an increase of $8.9 million over the same period in 2004, prior to the gain Ag Growth realized on the sale of its outstanding foreign exchange contracts and the accrual of IPO expenses. Excluding cash flow generated from Edwards of $2.6 million, the remaining $6.3 million increase resulted from substantial growth in earnings before non-cash charges, offset by a decrease in the cash generated through movement in non-cash working capital.

Interim period working capital requirements typically reflect some seasonality. The Fund's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the third quarter, result in accounts receivable levels increasing throughout the year and peaking in the third quarter. In order to ensure the Fund has adequate supply throughout its distribution network in advance of in-season demand, inventory levels must be gradually increased throughout the year. Accordingly, inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. As a result of these working capital movements, historically, Ag Growth's use of its bank revolver is typically highest in the first and second quarters. The revolver balance would normally begin declining in the third quarter as collections of accounts receivable increase. Ag Growth has generally fully repaid its revolver balance by early in the fourth quarter.

The Fund had capital expenditures of $1.3 million in the year ended December 31, 2005, compared to $0.7 million for the period May 18, 2004 to December 31, 2004. Capital expenditures in 2005 related primarily to purchases of manufacturing equipment, forklifts, semi trailer units, computer hardware and software, and building improvements. The Fund anticipates total capital expenditures in 2006 will approximate the amounts expended in 2005, and that all 2006 capital expenditures will be funded through operations.

For the year ended December 31, 2005, the Fund's cash balance increased $1.1 million.

CONTRACTUAL OBLIGATIONS

	Total $	2006 $	2007 $	2008 $	2009 $	2010 + $
Long-term debt	20,041,093	23,502	10,015,331	10,002,260	0	0
Operating leases	1,296,037	451,814	396,650	248,438	140,820	58,315
Total obligations	**21,337,130**	**475,316**	**10,411,981**	**10,250,698**	**140,820**	**58,315**

The term loan of $20 million included in long-term debt above matures May 2006 and is extendible annually for an additional one-year term at the lender's option. Under the terms of the credit facility agreement, if the bank elects to not extend the operating and term loan facilities beyond the current May 31, 2006 maturity date, all amounts outstanding under the facilities become repayable in four equal quarterly instalments of principal, commencing August 31, 2007.

The operating leases relate to vehicle, equipment, and warehouse facility leases entered into in the normal course of business.

DISTRIBUTIONS

The Fund declared distributions to public unitholders of $15.3 million for the year ended December 31, 2005, including $6.3 million in the three-month period then ended. Furthermore, consistent with the Fund's prospectus dated May 5, 2004, the Fund declared distributions to Ag Growth's previous owners of $3.6 million and $1.4 million for the year and three months ended December 31, 2005 respectively.

The Fund's policy is to make monthly distributions to holders of both Trust units and Class B Exchangeable limited partnership units. Furthermore, in accordance with the terms of the Fund's prospectus, holders of Class C Subordinated Exchangeable limited partnership units receive distributions quarterly provided the relevant terms of subordination have been met, which they have since the inception of the Fund. The Fund's Declaration of Trust requires that it distribute all taxable income earned in its fiscal period ending December 31. It may be necessary for the Fund to estimate one or more special distributions to achieve this requirement.

The Fund's Board of Trustees reviews financial performance and other factors when assessing the Fund's distribution levels. An adjustment to distribution levels will be made at such time as the Board determines the adjustment is sustainable and in the long-term best interest of the Fund and its unitholders.

Distributable cash generated for the year and quarter ended December 31, 2005 and the 283-day period and quarter ended December 31, 2004 is calculated as on page 24.

	December 31, 2005 12 Months $	December 31, 2005 3 Months $	December 31, 2004 12 Months* $	December 31, 2004 3 Months $
Net income for the period	19,652,070	3,380,300	8,723,409	1,798,911
Add: Amortization	4,040,948	1,167,305	1,566,528	361,405
Interest expense	1,035,153	267,909	688,467	250,767
Tax expense	315,123	87,123	164,000	71,500
EBITDA**	25,043,294	4,902,637	11,142,404	2,482,583
Less: Interest expense	1,035,153	267,909	688,467	250,767
Net capital expenditures	1,300,295	423,086	730,790	296,542
Current income taxes	79,123	34,123	37,000	21,500
Distributable cash **	**22,628,723**	**4,177,519**	**9,686,147**	**1,913,774**
Weighted average units outstanding	10,801,123	11,225,000	9,630,000	9,630,000
Distributable cash generated per unit	2.0950	0.3722	1.0058	0.1987
Distributions per weighted average unit				
Regular distributions	1.4515	0.3900	0.8079	0.3249
Special distributions	0.3000	0.3000	0.1380	0.1380
	1.7515	**0.6900**	**0.9459**	**0.4629**
Distribution Percentage				
Before special distribution	69.28%	104.78%	80.32%	163.51%
After special distribution	83.60%	185.38%	94.04%	232.96%

* The Fund was inactive until its acquisition of Ag Growth on May 18, 2004. Included in the Fund's distributable cash calculation are the results of operations for only the 228-day period from the date of acquisition, May 18, 2004, to December 31, 2004.
** See discussion of non-GAAP measures below.
*** On a non-weighted basis, per unit cash distributions for the year and quarter ended December 31, 2005 were $1.7315 and $0.6900 respectively.

Distributions for 2004 and 2005 were funded entirely through operations, and no portion of the distribution represents a return on capital. For tax purposes, the 2004 distributions are comprised of 96.9599% other income and 3.0401% dividends, while the 2005 distributions are 100% other income. The cash distribution in 2005 of $1.73 per unit represents a 33% increase over the $1.30 per unit distribution disclosed in the Fund's 2004 prospectus.

Historical distributable cash generated per unit and distributions declared as a percentage of distributable cash generated is as follows:

Distributable Cash for Periods Ended December 31, 2004

	Generated per Unit		Distribution %	
	3 months $	YTD $	Quarter %	YTD %
Q2 *	0.18	0.18	88.8	88.8
Q3	0.63	0.81	51.6	59.8
Q4	0.20	1.01	163.5	80.3
Special **	N/A	N/A	N/A	94.0

* Includes results of operations only for the 44-day period May 18 to June 30, 2004.
** Total special distributions of $0.138 per unit consists of $0.07 per unit paid January 30, 2005 to unitholders of record on December 31, 2004, and $0.068 per unit paid April 30, 2005 to unitholders of record on March 31, 2005.

Distributable Cash for Periods Ended December 31, 2005

	Generated per Unit		Distribution %	
	3 months $	YTD $	Quarter %	YTD %
Q1	0.40	0.40	82.6	82.6
Q2	0.64	1.04	54.2	64.2
Q3	0.69	1.73	55.4	60.6
Q4	0.37	2.10	104.8	68.7
Special *	N/A	N/A	N/A	83.6

* Total special distributions of $0.30 per unit consists of $0.12 per unit paid December 30, 2005 to unitholders of record on November 30, 2005, and $0.18 per unit paid January 30, 2006 to unitholders of record on December 30, 2005.

Distributable Cash Summary

	Distributable Cash Generated $	Distributions Declared * $	Payout Ratio %
Period Ended December 31, 2004	9,686,147	9,109,017	94.0
Year Ended December 31, 2005	22,628,723	18,917,872	83.6
Cumulative	32,314,870	28,026,889	86.7

* Distributions declared include special distributions of $1,328,940 in 2004 and $3,367,500 in 2005.

CAPITAL RESOURCES

The term loan matures May 2006 and is extendible annually at the lender's option. The Fund also has available a $15 million operating facility, increasing to $18 million for the period May 31 to September 30. At December 31, 2005, the Fund's bank indebtedness was $Nil. Under the terms of the credit facility agreement, if the bank elects to not extend the operating loan and term loan facilities beyond the current May 31, 2006 maturity date, all amounts outstanding under the facilities become repayable in four equal quarterly instalments of principal, commencing August 31, 2007. In addition, under the terms of the facility agreement, the operating and term loan facilities will bear interest at prime plus 0.0%, 0.50%, or 1.00% per annum based on performance calculations. The Fund is party to an interest rate swap agreement to mitigate the impact of fluctuating interest rates on its term loan.

OFF-BALANCE SHEET ARRANGEMENTS

The Fund has no off balance sheet arrangements with the exception of the foreign currency contracts discussed below in Financial Instruments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The Fund believes the accounting policies that are critical to its business relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, and goodwill. Due to the nature of Ag Growth's business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of accounts receivable. In addition, assessments and judgments are inherent in the determination of the net realizable value of inventories. Another area requiring judgment includes the allocation of the purchase price related to the IPO and the acquisition of the Edwards Group, specifically the allocation between goodwill and other intangible assets, and the amortization period of the intangible assets. In the normal course of its operations, the Fund may become involved in various legal actions. The Fund maintains, and regularly updates on a case-by-case basis, provisions when the expected loss is both likely and can be reasonably estimated. While management has applied judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

FINANCIAL INSTRUMENTS

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the US Dollar. Historically, over 60% of Ag Growth's sales are denominated in US Dollars while a much smaller proportion of its expenses are denominated in this currency. The Fund has entered into foreign exchange contracts with a Canadian chartered bank to hedge its foreign currency exposure on anticipated US dollar sales transactions and the collection of the related accounts receivable. At December 31, 2005, the Fund had outstanding $23.1 million US of forward foreign exchange contracts, dated from March 2006 to December 2007, with a Canadian Dollar equivalent of $30.2 million. The Fund also has outstanding reverse knock-in currency options consisting of a series of call and put options, with a face value of $4.6 million US, at rates of $1.1363 and $1.2750 respectively, with maturities dated from March 2007 to December 2007. As at December 31, 2005, the Fund has recorded a deferred foreign exchange loss of $13,360 with respect to its hedged accounts receivable. At December 31, 2005, the unrealized gain on forward foreign exchange contracts was $3.4 million.

The Fund is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, the Fund has entered into an interest rate swap transaction with a Canadian chartered bank. The swap transaction expires on May 4, 2008 and involves the exchange of the underlying floating interest rate for an effective fixed interest rate of 3.68%, resulting in interest charges to the Fund of 3.68% plus a variable rate based on performance calculations. The notional amount of the swap transaction at December 31, 2005 was $20.0 million. At December 31, 2005, the fair value of the interest rate swap contract was $175,803, and this amount has been recorded to prepaid expenses and other assets and included in other income on the income statement.

CHANGES IN ACCOUNTING POLICIES

In an effort to harmonize Canadian GAAP with US GAAP, the Canadian Accounting Standards Board has issued the following sections:

- 1530, Comprehensive Income;
- 3855, Financial Instruments—Recognition and Measurement; and
- 3865, Hedges.

Under these new standards, all financial assets should be measured at fair value with the exception of loans, receivables and investments that are intended to be held to maturity and certain equity investments, which should be measured at cost. Similarly, all financial liabilities should be measured at fair value when they are held for trading or they are derivatives. Gains and losses on financial instruments measured at fair value will be recognized in the income statement in the periods they arise with the exception of gains and losses arising from:

- Financial assets held for sale, for which unrealized gains and losses are deferred in other comprehensive income until sold or impaired; and
- Certain financial instruments that qualify for hedge accounting.

Sections 3855 and 3865 of the CICA Handbook make use of "other comprehensive income". Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but are excluded from net income. Unrealized gains and losses on qualifying hedging instruments, translation of self-sustaining foreign operations, and unrealized gains or losses on financial instruments held for sale will be included in other comprehensive income and reclassified to net income when realized. Comprehensive income and its components will be a required disclosure under the new standard. These new standards are effective for fiscal years beginning on or after October 1, 2006 and early adoption is permitted. Management has not yet determined the impact of the adoption of these standards on the presentation of the Fund's results from operations or financial position.

RISKS AND UNCERTAINTIES

The risks and uncertainties described below are not the only risks and uncertainties we face. We believe that the risks mentioned are the principal risks relating to our operations. There are other risks that relate to the structure of the Fund. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may impair operations. If any of the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for distribution could suffer.

Industry Cyclicality

The performance of the farm equipment industry is cyclical, with sales depending on the performance of the agricultural sector. To the extent that the agricultural sector declines or experiences a downturn, this is likely to have a negative impact on the farm equipment industry.

Seasonality of Business

The seasonality of the demand for Ag Growth's products results in lower cash flow in the first three quarters of each calendar year and may impact the ability of the Fund to make cash distributions to Unitholders, or the quantum of such distributions, if any. No assurance can be given that the Fund's credit facility will be sufficient to offset the seasonal variations in Ag Growth's cash flow.

Risk of Decreased Crop Yields

Decreased crop yields due to poor weather conditions and other factors are a significant risk affecting Ag Growth. Both reduced crop volumes and the accompanying decline in farm incomes can negatively affect demand for grain handling equipment.

Potential Volatility of Production Costs

Various materials and components are purchased in connection with Ag Growth's manufacturing process, some or all of which may be subject to wide price variation. Consistent with past and current practices within the industry, Ag Growth manages its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and passing through to customers, most, if not all, of the price volatility. There can be no assurance that industry dynamics will allow Ag Growth to continue to reduce its exposure to volatility of production costs by passing through price increases to its customers.

Commodity Prices, International Trade and Political Uncertainty

Prices of commodities are influenced by a variety of unpredictable factors that are beyond the control of Ag Growth, including weather, government (Canadian, United States and other) farm programs and policies, and changes in global demand or other economic factors. The world grain market is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

Competition

Ag Growth experiences competition in the markets in which it operates. Certain of Ag Growth's competitors may have greater financial and capital resources than Ag Growth. Ag Growth could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus (or increase their existing focus) on Ag Growth's primary markets. As the grain handling equipment sector is fragmented, there is also a risk that a larger, formidable competitor may be created through a combination of one or more smaller competitors. Ag Growth may also face potential competition from the emergence of new products or technology.

Business Interruption

The operation of the manufacturing facilities of Ag Growth are subject to a number of business interruption risks, including delays in obtaining production materials, plant shutdowns, labour disruptions and weather conditions/natural disasters. Ag Growth may suffer damages associated with such events that it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. For instance, Ag Growth's Rosenort facility is located in an area that was affected by widespread floods experienced in Manitoba in 1997, and insurance coverage for this type of business interruption is limited. Ag Growth is not able to predict the occurrence of business interruptions.

Litigation

In the ordinary course of its business, Ag Growth may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Farming is an inherently dangerous occupation. Grain handling equipment used on farms may result in product liability claims that require not only proper insuring of risk, but management of the legal process as well.

Dependence on Key Personnel

Ag Growth's future business, financial condition, and operating results depend on the continued contributions of certain of Ag Growth's executive officers and other key management and personnel, certain of whom would be difficult to replace.

Distribution, Sales Representative and Supply Contracts

Ag Growth typically does not enter into written agreements with its dealers, distributors or suppliers. As a result, such parties may, without notice or penalty, terminate their relationship with Ag Growth at any time. In addition, even if such parties should decide to continue their relationship with Ag Growth, there can be no guarantee that the consideration or other terms of such contracts will continue on the same basis.

Foreign Exchange Risk

Ag Growth generates a majority of its sales in US dollars, but a materially smaller proportion of its expenses are denominated in US dollars. As a result, a significant strengthening of the Canadian dollar against the US dollar will negatively impact the return from US dollar sales revenue. To mitigate the effects of exchange rate fluctuation, management has implemented a hedging strategy of purchasing foreign exchange contracts. Ag Growth has entered into a series of hedging arrangements to mitigate the potential effect of fluctuating exchange rates through December 2007. To the extent that Ag Growth does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the US dollar may have a material adverse effect on Ag Growth's results of operations, business, prospects and financial condition.

Potential Undisclosed Liabilities Associated with Acquisitions

To the extent that prior owners of businesses acquired by Ag Growth failed to comply with or otherwise violated applicable laws, Ag Growth, as a successor owner, may be financially responsible for these violations. In particular, to the extent that businesses acquired by Ag Growth have failed to make all necessary filings with applicable governmental, regulatory or tax authorities prior to the date of their acquisition by Ag Growth, Ag Growth may be subject to certain penalties and/or liabilities.

Uninsured and Underinsured Losses

Ag Growth will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim.

Distributions

The Fund's Declaration of Trust requires that it distribute all taxable income earned in its fiscal period ending December 31. It may be necessary for the Fund to estimate special distributions to achieve this requirement. In any event, the final amount determined to be payable will be distributed in January to unitholders on December 31.

Taxation of Income Trusts

There can be no assurance that Canadian federal income tax laws or the judicial interpretation thereof or the administrative and/or assessing practices of the Canada Revenue Agency and/or the treatment of mutual fund trusts will not be changed in a manner that adversely affects the holders of Trust Units.

OUTLOOK

The Fund anticipates strong demand in the first half of 2006. Market sentiment in the US remains positive, primarily due to a very strong 2005 harvest, and as a result product order backlog is high. Although the 2005 US crop was large, it was slightly smaller than the record 2004 crop, which may translate into slightly lower demand in the first half of 2006 compared to the prior year. Sentiment in Western Canada remains subdued after two successive years of excessive moisture. The Fund continues to face challenges with respect to the stronger Canadian dollar. Although the impact of a stronger currency has been largely addressed in 2006 through foreign currency hedging, a further strengthening of the dollar will continue to pressure gross margins. Although demand in the second half of 2006 will be influenced by crop conditions, existing indicators suggest that in the absence of severe weather patterns the Fund can look forward to sound financial results in fiscal 2006.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, depreciation, and amortization. Management believes that, in addition to net income or loss, EBITDA is a useful supplemental measure in evaluating its performance. Specifically, management believes that EBITDA is the appropriate measure from which to make adjustments to determine the Fund's distributable cash. EBITDA is not a financial measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Management cautions investors that EBITDA should not replace net income or loss as an indicator of performance, or cash flows from operating, investing, and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers.

Distributable cash is a non-GAAP measure generally used by Canadian income funds as an indicator of financial performance. The Fund defines distributable cash as EBITDA less interest expense, maintenance capital expenditures, and current taxes. The method of calculating the Fund's distributable cash may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

Amortization in the Combined Operating Results for the period ended December 31, 2004 is a non-GAAP measure as amortization, based on a combination of assets valued at historical cost and fair value, would not be combined when reporting under GAAP. The combined operating results for the period ended December 31, 2004, representing the financial results of Ag Growth prior to its acquisition by the Fund (January 1, 2004 to May 17, 2004) and the Fund's financial results from inception to December 31, 2004, have been presented to provide the reader with additional information to enhance comparability to operating results of the Fund for the period ended December 31, 2005.

DISCLOSURE CONTROLS AND PROCEDURES

Ag Growth's management is responsible for establishing and maintaining disclosure controls and procedures to ensure that information used internally and disclosed externally is complete and reliable. The Fund's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures and have concluded that they are adequate and effective for the year ended December 31, 2005.

FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis may contain forward-looking statements which reflect our expectations regarding the future growth, results of operations, performance and business prospects, and opportunities of the Fund. Forward-looking statements contain such words as “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans” or similar expressions suggesting future conditions or events. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including the effects, as well as changes in national and local business conditions, decreased crop yields, industry cyclicality, and competition. Although the forward-looking statements contained in this MD&A are based on what we believe to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements.

ADDITIONAL INFORMATION

Additional information relating to the Fund, including all public filings, is available on SEDAR (www.sedar.com).

INVESTOR RELATIONS

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Auditors' Report

To the Unitholders of Ag Growth Income Fund

We have audited the consolidated balance sheets of **Ag Growth Income Fund** as at December 31, 2005 and 2004 and the consolidated statements of earnings, unitholders' equity and cash flows for the year ended December 31, 2005 and the 283-day period ended December 31, 2004. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the year ended December 31, 2005 and the 283-day period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,

February 22, 2006.

Consolidated Balance Sheets

As at December 31

	2005 $	2004 $
ASSETS [notes 9 and 10]		
Current		
Cash and cash equivalents	8,148,634	7,001,929
Accounts receivable	7,305,809	4,515,053
Inventory [note 5]	20,113,333	15,473,577
Prepaid expenses and other assets	1,402,999	958,425
Future tax assets	221,000	—
Total current assets	37,191,775	27,948,984
Property, plant and equipment [note 6]	11,913,442	5,623,174
Goodwill	35,970,059	32,888,891
Intangible assets [note 7]	58,923,988	53,144,658
Deferred financing costs [note 8]	149,188	454,559
Future tax assets [note 12]	191,000	563,000
Deferred foreign exchange loss	13,360	47,900
	144,352,812	**120,671,166**
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	4,962,948	4,044,845
Customer deposits	3,103,402	3,825,171
Income taxes payable	553,074	75,593
Distributions payable	3,980,510	2,789,041
Long-term incentive plan [note 14]	933,001	265,788
Current portion of long-term debt [note 10]	23,502	33,495
Total current liabilities	13,556,437	11,033,933
Long-term debt [note 10]	20,017,591	20,068,593
Total liabilities	33,574,028	31,102,526
Commitments [notes 15 and 17]		
Unitholders' equity [note 11]	110,778,784	89,568,640
	144,352,812	**120,671,166**

See accompanying notes

On behalf of the Board of Trustees:

Rod Senft
Trustee

John R. Brodie, FCA
Trustee

Consolidated Statements of Earnings

	Year ended December 31, 2005 $	283-day period ended December 31, 2004* [note 2] $
Sales	84,033,945	43,547,884
Cost of goods sold	45,132,586	22,683,058
Gross margin	38,901,359	20,864,826
Expenses		
Selling, general and administration	13,235,750	7,246,922
Professional fees	530,532	678,554
Long-term incentive plan	933,001	265,788
Research and development	622,695	290,502
Capital taxes	328,716	236,321
Loss (gain) on foreign exchange	(1,355,991)	1,143,298
Other income	(436,638)	(138,963)
	13,858,065	**9,722,422**
Earnings before the following	25,043,294	11,142,404
Interest expense		
Short-term debt	121,364	122,767
Long-term debt	913,789	565,700
	1,035,153	**688,467**
Earnings before amortization and income taxes	24,008,141	10,453,937
Amortization of property, plant and equipment	1,928,907	504,734
Amortization of deferred financing costs	439,371	206,452
Amortization of intangible assets	1,672,670	855,342
	4,040,948	**1,566,528**
Earnings before provision for income taxes	19,967,193	8,887,409
Provision for income taxes [note 12]		
Current	79,123	37,000
Future	236,000	127,000
	315,123	164,000
Net earnings for the period	**19,652,070**	**8,723,409**
Basic and diluted net earnings per unit	**$1.82**	**$0.91**
Basic and diluted weighted average number of units outstanding	**10,801,123**	**9,630,000**

*Includes the results of Ag Growth's operations for the 228-day period from May 18, 2004 to December 31, 2004.

See accompanying notes

Consolidated Statement of Unitholders' Equity

Year ended December 31, 2005

	Unitholders' capital $ [note 11]	Accumulated earnings $	Accumulated distributions $	Total $
Balance, beginning of period	89,954,248	8,723,409	(9,109,017)	89,568,640
Issuance of units [note 4]	21,532,500	—	—	21,532,500
Issuance costs [note 4]	(1,056,554)	—	—	(1,056,554)
Net earnings for the period	—	19,652,070	—	19,652,070
Distributions declared	—	—	(18,917,872)	(18,917,872)
Balance, end of period	**110,430,194**	**28,375,479**	**(28,026,889)**	**110,778,784**

283-day period ended December 31, 2004
[includes the results of Ag Growth's operations for the 228-day period ended December 31, 2004] [note 2]

	Unitholders' capital $	Accumulated earnings $	Accumulated distributions $	Total $
Balance, beginning of period	—	—	—	—
Issuance of initial subscriber units	30	—	—	30
Redemption of initial subscriber units	(30)	—	—	(30)
Issuance of units on initial public offering	69,040,000	—	—	69,040,000
Issuance costs	(6,345,752)	—	—	(6,345,752)
Issuance of AGHLP units as consideration on acquisition of Ag Growth	27,260,000	—	—	27,260,000
Net earnings for the period	—	8,723,409	—	8,723,409
Distributions declared	—	—	(9,109,017)	(9,109,017)
Balance, end of period	**89,954,248**	**8,723,409**	**(9,109,017)**	**89,568,640**

See accompanying notes

Consolidated Statements of Cash Flows

	Year ended December 31, 2005 $	283-day period ended December 31, 2004* [note 2] $
OPERATING ACTIVITIES		
Net earnings for the period	19,652,070	8,723,409
Add charges to operations not requiring a current cash payment		
Amortization	4,040,948	1,566,528
Future income taxes	236,000	127,000
Deferred foreign exchange gain (loss)	34,540	(47,900)
Loss (gain) on sale of property, plant and equipment	12,120	(16,419)
	23,975,678	**10,352,618**
Net change in non-cash working capital balances related to operations [note 18]	(2,698,483)	8,112,322
Cash provided by operating activities	**21,277,195**	**18,464,940**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,300,295)	(730,790)
Acquisition of assets of the Edwards Group of Companies	(21,685,743)	—
Proceeds from sale of property, plant and equipment	61,000	42,776
Acquisition of Ag Growth Industries Inc.	—	(32,133,771)
Pre-existing Fund structure tax credits received	240,000	—
Cash used in investing activities	**(22,685,038)**	**(32,821,785)**
FINANCING ACTIVITIES		
Decrease in bank indebtedness	—	(5,266,052)
Repayment of long-term debt	(60,995)	(32,899,936)
Distributions paid	(17,726,403)	(6,319,976)
Issuance of units, net of expenses	20,475,946	—
Issuance of long-term debt	—	20,119,967
Increase in deferred financing costs on long-term debt	(134,000)	(661,011)
Initial public offering of fund units, net of expenses	—	62,694,248
Redemption of Class D preferred shares of Ag Growth	—	(16,000,000)
Payment of dividend on Class D preferred shares of Ag Growth	—	(308,466)
Cash provided by financing activities	**2,554,548**	**21,358,774**
Net increase in cash and cash equivalents during the period	1,146,705	7,001,929
Cash and cash equivalents, beginning of period	7,001,929	—
Cash and cash equivalents, end of period	**8,148,634**	**7,001,929**
Supplemental cash flow information		
Interest paid	1,032,655	680,606
Income taxes paid (recovered)	(339,970)	1,394,013

* Includes the results of Ag Growth's operations for the 228-day period from May 18, 2004 to December 31, 2004.

See accompanying notes

December 31, 2005

1. ORGANIZATION AND NATURE OF BUSINESS

Ag Growth Income Fund [the "Fund"] is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust made as at March 24, 2004. The Fund and its wholly-owned subsidiaries conduct business in the grain handling, storage, and conditioning market. Each unitholder participates pro rata in distributions of net earnings and, in the event of termination, participates pro rata in the net assets remaining after satisfaction of all liabilities. Income tax obligations related to the distribution of net earnings by the Fund are the obligations of the unitholders.

2. BASIS OF PRESENTATION

The Fund prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles. These consolidated financial statements reflect the results of operations of the Fund for the year ended December 31, 2005. Although a Declaration of Trust for the Fund was made on March 24, 2004, the Fund was inactive until its acquisition of Ag Growth Industries Inc. ["Ag Growth"] on May 18, 2004. As a result, comparative financial information provided on the statements of earnings, unitholders' equity and cash flows only include the results of Ag Growth's operations for the period May 18, 2004 to December 31, 2004.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are summarized below:

Principles of Consolidation

The consolidated financial statements include the accounts of the Fund and its wholly-owned subsidiaries Ag Growth Operating Trust, AGX Holdings Inc., AGX Holdings Limited Partnership ["AGHLP"], Ag Growth Industries Limited Partnership, Ag Growth, Westfield Distributing Ltd. and Westfield Distributing (North Dakota) Inc. All material intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid money market funds with maturities of less than three months.

Inventory

Inventory is comprised of raw materials and finished goods. Raw materials are recorded at the lower of cost and replacement cost. Finished goods are recorded at the lower of cost, which includes direct costs and an allocation of direct manufacturing overhead, and net realizable value. Cost is determined on a first-in, first-out basis.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of amortization. Amortization is provided over the estimated useful lives of the assets using the following rates and methods:

Buildings	4% - 5%	declining balance
Leasehold improvements	20%	straight line
Furniture and fixtures	20%	declining balance
Automotive equipment	20% - 30%	declining balance
Computer equipment	30%	declining balance
Manufacturing equipment	20% - 30%	declining balance

Goodwill

Goodwill represents the amounts paid to acquire Ag Growth and the Edwards Group in excess of the estimated fair value of the net identifiable assets acquired. Goodwill is not subject to amortization. Goodwill is tested for impairment at least annually by comparing the estimated fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to estimated fair value if the carrying value of the reporting unit's goodwill exceeds its estimated fair value.

Intangible Assets

Intangible assets are comprised of brand names, which are considered to have an indefinite life, distribution networks, which are being amortized over 25 years on a straight-line basis, and a patent acquired from the Edwards Group which is being amortized over a one year period. Indefinite life intangible assets are tested for impairment at least annually by comparing their estimated fair values to their carrying values. The carrying value of an indefinite life intangible asset is written down to its estimated fair value if its carrying value exceeds its estimated fair value.

Impairment of Property, Plant and Equipment and Finite Life Intangible Assets

Impairment of property, plant and equipment and finite life intangible assets is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the estimated fair value of the asset from its carrying value.

Deferred Financing Costs

Deferred financing costs are amortized on a straight-line basis over the two-year term of the related debt financing.

Income Taxes

The Fund is a mutual fund trust for income tax purposes and therefore is not subject to tax on income distributed to unitholders. Taxes payable on income of the Fund distributed to unitholders are the responsibility of individual unitholders.

The Fund's corporate subsidiaries use the liability method of accounting for income taxes. Under this method, assets or liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income taxes are measured using the substantively enacted tax rates expected to be in effect in the years in which those temporary differences are expected to reverse. Future income tax benefits are recognized when realization is considered more likely than not.

Foreign Currency Translation

The Fund follows the temporal method of accounting for the translation of its integrated foreign subsidiary and foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the consolidated balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at their historical exchange rates. Revenue and expenses denominated in foreign currencies are translated to Canadian dollars at the monthly rate of exchange. Gains and losses on translation are reflected in net earnings for the period.

Revenue Recognition

The Fund recognizes revenue at the time product is shipped, free on board shipping point, and title passes and there is evidence a sales arrangement exists, the sales price is fixed and determinable and collectibility is reasonably assured. For products on consignment, revenue is recognized upon the sale of the product by the consignee. Provision is made at the time revenue is recognized for estimated product returns and warranties based on historical experience.

Research and Development

Research expenses are charged to earnings in the period they are incurred. Development expenses are charged to earnings unless management believes the costs meet generally accepted criteria for deferral and amortization.

Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership of the property to the Fund are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred.

Net Earnings per Unit

Net earnings per unit is based on the consolidated net earnings for the period divided by the weighted average number of units outstanding during the period. Diluted earnings per unit is computed in accordance with the treasury stock method and based on the weighted average number of units and dilutive unit equivalents.

Long-Term Incentive Plan

Under the terms of the long-term incentive plan ["LTIP"], the Fund establishes an amount to be allocated to eligible participants based on 10% to 20% of cash distributions in excess of an established threshold. The cost is accrued as an expense in the period when it is determined an amount payable under the LTIP appears likely.

Derivative Financial Instruments

Derivative financial instruments are utilized by the Fund in the management of its foreign currency and interest rate exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking foreign exchange contracts to specific anticipated sales transactions. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Fund purchases foreign exchange contracts to hedge anticipated sales to customers in the United States and the collection of the related accounts receivable. Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated US dollar denominated sales are recognized as an adjustment of the revenues when the sale is recorded. For foreign exchange contracts used to hedge anticipated US dollar denominated sales and the collection of the related accounts receivable, the portion of the forward premium or discount on the contract relating to the period prior to consummation of the sale is also recognized as an adjustment of the revenues when the sale is recorded; and the portion of the premium or discount that relates to the resulting account receivable is amortized over the expected period to collection of the accounts receivable.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current or non-current, assets or liabilities on the consolidated balance sheet and recognized in earnings in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in earnings.

The Fund uses foreign currency swap agreements to manage its cash positions. The Fund's foreign currency swap agreements do not qualify for hedge accounting. The Fund also enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. During the year, the terms of the interest rate swap were changed and it no longer qualifies for hedge accounting. These swaps are measured at their fair value and included in prepaid expenses and other assets on the consolidated balance sheet. Changes in the fair value of the foreign currency swaps and interest rate swaps are recognized in earnings and are included in loss (gain) on foreign exchange and interest expense, respectively, in the corresponding period.

Employee Benefit Plans

The Fund contributes to a group retirement savings plan subject to maximum limits per employee. The Fund accounts for such defined contributions as an expense in the period in which the contributions are made. The expense recorded in 2005 was $346,730 [2004 - $172,445].

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the consolidated balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

4. ISSUANCE OF FUND UNITS AND ACQUISITION

Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies ["the Edwards Group"], a leading manufacturer of agricultural aeration equipment, for cash consideration in the amount of $21,685,743. In conjunction with the acquisition, the Fund completed a private placement of 1,595,000 Trust Units priced at $13.50 per unit for gross proceeds of $21,532,500. The Fund has recorded expenses in connection with the offering, including commissions payable to the underwriters, of $1,056,554.

The acquisition has been accounted for by the purchase method with the results of the Edwards Group's operations included in the Fund's earnings from the date of acquisition [the consolidated statement of earnings includes the results of the Edward Group's operations for the 268-day period from April 8, 2005 to December 31, 2005]. The assets and liabilities of the Edwards Group were initially recorded in the consolidated financial statements at their estimated fair values, as follows:

	$
Net assets acquired	
Accounts receivable	1,348,830
Inventory	3,672,603
Prepaid expenses and other assets	174,246
Property, plant and equipment	6,992,000
Intangible assets	
Brand name	4,363,000
Distribution network	2,839,000
Patent	250,000
Goodwill	3,406,168
Accounts payable and accrued liabilities	(1,360,104)
	21,685,743

5. INVENTORY

	December 31, 2005 $	December 31, 2004 $
Raw materials	6,019,628	4,080,743
Finished goods	14,093,705	11,392,834
	20,113,333	**15,473,577**

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2005			December 31, 2004		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Land	861,315	—	861,315	611,315	—	611,315
Buildings	5,177,931	287,744	4,890,187	2,940,739	80,893	2,859,846
Leasehold improvements	7,000	7,000	—	10,486	2,942	7,544
Furniture and fixtures	121,047	26,282	94,765	83,543	10,831	72,712
Automotive equipment	1,438,283	480,185	958,098	1,197,541	183,447	1,014,094
Computer equipment	565,714	159,442	406,272	285,842	60,667	225,175
Manufacturing equipment	6,127,774	1,424,969	4,702,805	998,442	165,954	832,488
	14,299,064	**2,385,622**	**11,913,442**	**6,127,908**	**504,734**	**5,623,174**

7. INTANGIBLE ASSETS

	December 31, 2005			December 31, 2004		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	$	$	$	$	$	$
Distribution network	37,839,000	2,340,512	35,498,488	35,000,000	855,342	34,144,658
Brand name	23,363,000	—	23,363,000	19,000,000	—	19,000,000
Patent	250,000	187,500	62,500	—	—	—
	61,452,000	**2,528,012**	**58,923,988**	**54,000,000**	**855,342**	**53,144,658**

8. DEFERRED FINANCING COSTS

	December 31, 2005			December 31, 2004		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	$	$	$	$	$	$
	795,011	**645,823**	**149,188**	**661,011**	**206,452**	**454,559**

9. BANK INDEBTEDNESS

The Fund has an operating facility of $15 million, increasing to $18 million for the period May 31 to September 30. The facility bears interest at a rate of prime to prime plus 1.0% per annum based on performance calculations. The effective interest rate during the year was 4.81% [2004 – 4.50%]. At December 31, 2005 and 2004, there was no amount outstanding under this facility. Collateral for the operating facility includes a general security agreement over all assets and first position collateral mortgages on land and buildings.

10. LONG-TERM DEBT

	December 31, 2005 $	December 31, 2004 $
Term loan, interest payable monthly at prime to prime plus 1% per annum based on performance calculations. As described in note 15, the Fund has entered into a swap contract that effectively fixes the Fund's interest rate at 3.68%, plus 1.0%, 1.5%, or 2.0% per annum based on performance calculations. The effective interest rate during the year ended December 31, 2005 would have been 4.81% [2004 – 4.50%] and after consideration of the effect of the interest rate swap was 4.48% [2004 – 4.32%]	20,000,000	20,000,000
GMAC loans, 0% maturing in 2007 and 2008, with monthly payments of $1,958. Vehicles financed are pledged as collateral	41,093	102,088
	20,041,093	20,102,088
Less current portion	23,502	33,495
	20,017,591	**20,068,593**

Under the agreement for the term loan, the Fund is required to maintain certain financial covenants. As at December 31, 2005 and 2004, the Fund was in compliance with the applicable financial covenant terms. Collateral for the term loan and operating facility [note 9] includes a general security agreement over all assets and first position collateral mortgages on land and buildings.

The term loan matures May 2006 and is extendible annually for an additional one-year term at the lender's option. Under the terms of the credit facility agreement, if the bank elects to not extend the operating loan and term loan facilities beyond the current May 31, 2006 maturity date, all amounts outstanding under the facilities become repayable in four equal quarterly instalments of principal, commencing on August 31, 2007.

Principal repayments due within the next four fiscal years, if the term loan is not renewed and is repayable commencing August 31, 2007, are as follows:

	$
2006	23,502
2007	10,015,331
2008	10,002,260
	20,041,093

11. UNITHOLDERS' CAPITAL

Unitholders' capital is comprised of the following:

	Fund Trust units $	Class B Exchangeable units of AGHLP $	Class C Exchangeable units of AGHLP $	Total Unitholders' capital $
Issuance of initial subscriber units	30	—	—	30
Redemption of initial subscriber units	(30)	—	—	(30)
Issuance of units on initial public offering	69,040,000	—	—	69,040,000
Issuance costs	(6,345,752)	—	—	(6,345,752)
Issuance of units of AGHLP as consideration on acquisition of Ag Growth	—	8,000,000	19,260,000	27,260,000
Exchange of units	6,189,130	(6,189,130)	—	—
Balance, December 31, 2004	68,883,378	1,810,870	19,260,000	89,954,248
Issuance of units, net of costs	20,475,946	—	—	20,475,946
Exchange of units	111,090	(111,090)	—	—
Balance, December 31, 2005	**89,470,414**	**1,699,780**	**19,260,000**	**110,430,194**

	Fund Trust units #	Class B Exchangeable units of AGHLP #	Class C Exchangeable units of AGHLP #
Issuance of initial subscriber units	3	—	—
Redemption of initial subscriber subscriber units	(3)	—	—
Issuance of units on initial public offering	6,904,000	—	—
Issuance of units of AGHLP as consideration on acquisition of Ag Growth	—	800,000	1,926,000
Exchange of units	618,913	(618,913)	—
Balance, December 31, 2004	7,522,913	181,087	1,926,000
Issuance of units [note 4]	1,595,000	—	—
Exchange of units	11,109	(11,109)	—
Balance, December 31, 2005	**9,129,022**	**169,978**	**1,926,000**

The Fund Declaration of Trust provides that an unlimited number of trust units may be issued. Each trust unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each trust unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund, is not subject to future calls or assessments, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of unitholders.

The Fund Declaration of Trust also provides for the issuance of an unlimited number of Special Voting Units. The Special Voting Units are only issuable for the purpose of providing voting rights to the holders of Exchangeable LP Units or Subordinated LP Units. Each unit is entitled to one vote on matters related to the Fund. The Special Voting Units are not entitled to any interest or share in the Fund or in any distribution from the Fund. There is no value attached to these units. At December 31, 2005, there were 2,095,978 Special Voting Units outstanding [December 31, 2004 – 2,107,087 units], which were attached to the outstanding Class B Exchangeable LP Units of AGHLP and the Class C Exchangeable Subordinated LP Units of AGHLP.

The Class B Exchangeable LP Units of AGHLP are exchangeable for trust units of the Fund at the option of the holder on a one-for-one basis at any time. During the year ended December 31, 2005, 11,109 Class B Exchangeable LP Units of AGHLP, with a value of $111,090, were exchanged into 11,109 Units of the Fund.

The Class C Subordinated Exchangeable LP Units of AGHLP are exchangeable for Class B Exchangeable LP Units of AGHLP on a one-for-one basis at the option of the holder after December 31, 2009 and by AGHLP on the subordination end date which is determined based on certain earnings and cumulative cash distribution thresholds of the Fund over a 24-month period.

12. INCOME TAXES

Income tax obligations relating to distributions from the Fund are the obligations of the unitholders and accordingly, no provision for income taxes on the income of the Fund has been made. A provision for income taxes is recognized for the corporate subsidiaries of the Fund, which are subject to tax, including large corporation tax.

The provision for income taxes varies from the amount that would be expected if computed by applying the Canadian federal and provincial statutory income tax rates to the earnings before income taxes as shown in the following table:

	Year ended December 31, 2005		283-day period ended December 31, 2004	
	$	%	$	%
Earnings before income taxes	19,967,193		8,887,409	
Temporary differences and non-tax deductible expenses	(446,488)		565,566	
Earnings subject to tax in the hands of unitholders/limited partners	(18,917,872)		(9,109,017)	
Income of subsidiary companies subject to tax	**602,833**		**343,958**	
Provision for income taxes	236,000	39	127,000	37
Large corporation tax	79,123	13	37,000	11
Income tax provision	**315,123**	**52**	**164,000**	**48**

During the year ended December 31, 2005, the Fund recorded $240,000 of tax credits and $85,000 of benefits related to non-capital loss carryforwards which pre-existed the Fund structure and have been credited to goodwill.

Significant components of the Fund's future tax assets are shown below:

	December 31, 2005	December 31, 2004
	$	$
Future tax assets		
Financing costs	116,500	377,000
Non-capital losses	295,500	186,000
	412,000	563,000

The non-capital losses expire as follows:

	$
2014	264,500
2015	31,000

13. DISTRIBUTIONS TO UNITHOLDERS

For the year ended December 31, 2005, the Fund made distributions of $18,917,872 which equated to $1.7515 weighted average per unit [283-day period ended December 31, 2004 - $9,109,017 or $0.95 weighted average per unit].

14. LONG TERM INCENTIVE PLAN

Key senior management of the Fund are eligible to participate in the Fund's LTIP. The purpose of the LTIP is to provide eligible participants with compensation opportunities that encourage ownership of units of the Fund, enhance the Fund's ability to attract, retain and motivate key personnel and reward key senior management for significant performance and associated growth in distributions. Pursuant to the LTIP, the Fund establishes the amount to be allocated to eligible participants based upon the amount by which the Fund's distributions exceed cash distribution thresholds [as defined in the LTIP plan documents]. The LTIP is administered by the Corporate Governance and Compensation Committee.

The Board of Trustees of the Fund or the Corporate Governance and Compensation Committee has the power to, among other things, determine those individuals who participate in the LTIP and determine the level of participation of each participant.

The Fund has a recorded liability with respect to the fiscal 2005 LTIP at December 31, 2005 of $933,001 [December 31, 2004 - $265,788].

15. FINANCIAL INSTRUMENTS

The Fund has the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, customer deposits, distributions payable, long-term incentive plan, long-term debt, an interest rate swap arrangement, foreign exchange contracts and foreign currency swap agreements. It is management's opinion that the Fund is not exposed to significant credit risks arising from these financial instruments.

Currency Exposures

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the US dollar. The Fund has entered into foreign exchange contracts to hedge its foreign currency exposure on anticipated US dollar sales transactions and the collection of the related accounts receivable.

At December 31, 2005, the Fund had outstanding forward foreign exchange contracts as follows:

Settlement dates	Face value $US	Average rate $Cdn
March 2006 to December 2006	18,500,000	1.3227
March 2007 to December 2007	4,625,000	1.2357

In addition, the Fund entered into currency options consisting of a series of call and put options at rates of $1.1363 and $1.2750 respectively. These contracts mature in 2007 and have a total face value of $4,625,000 US.

Interest Rate Exposures

The Fund is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, the Fund has entered into an interest rate swap transaction with a Canadian chartered bank. The swap transaction expires on May 4, 2008. The swap transaction involves the exchange of the underlying floating interest rate of prime to prime plus 1.00% per annum for an effective fixed interest rate of 3.68% plus 1.00% to 2.00% per annum based on performance calculations. The notional amount of the swap transaction at December 31, 2005 and 2004 was $20,000,000.

Fair Value

At December 31, 2005, the carrying value of the Fund's financial instruments approximates their fair value with the exception of derivative financial instruments. The unrealized gain on foreign exchange contracts was $3,384,312 at December 31, 2005 [December 31, 2004 - $3,588,689]. Upon maturity of the foreign exchange contracts, any gain/loss would be recognized in sales and/or realized foreign exchange gain/loss in the consolidated statement of earnings.

16. SEGMENTED DISCLOSURE

The Fund operates in one business segment related to the manufacturing and distributing of portable grain handling and aeration equipment. Geographic information about the Fund's revenues is based on the product shipment destination. Assets are based on their physical location as at the period end:

	Revenues		Property, plant and equipment, goodwill and intangible assets as at	
	Year ended December 31, 2005 $	283-day period ended December 31, 2004 $	December 31, 2005 $	December 31, 2004 $
Canada	25,369,699	10,079,209	106,577,247	91,420,726
United States	55,166,890	31,105,714	230,242	235,997
International	3,497,356	2,362,961	—	—
	84,033,945	**43,547,884**	**106,807,489**	**91,656,723**

17. COMMITMENTS

The Fund has entered into various operating leases for office and manufacturing equipment, warehouse facilities and vehicles. Minimum annual lease payments required in aggregate are as follows:

	$
2006	451,814
2007	396,650
2008	248,438
2009	140,820
2010 and forward	58,315
	1,296,037

18. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

	Year ended December 31, 2005	283-day period ended December 31, 2004* [note 2]
	$	$
Accounts receivable	(1,441,926)	7,781,221
Inventory	(967,153)	(34,470)
Prepaid expenses and other assets	(270,328)	(487,740)
Accounts payable and accrued liabilities	(442,001)	(1,347,304)
Long-term incentive plan	667,213	265,788
Income taxes payable	477,481	(1,357,012)
Customer deposits	(721,769)	3,291,839
	(2,698,483)	**8,112,322**

* Includes the results of Ag Growth's operations for the 228-day period from May 18, 2004 to December 31, 2004 [note2].

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Officers

Rob Stenson
President and Chief Executive Officer

Gary Anderson
Vice President and Chief Operating Officer

Steve Sommerfeld
Chief Financial Officer

Additional Information

Additional information relating to the Fund, including all public filings, is available on SEDAR (www.sedar.com).

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